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1. After the close of the Leipzig Fair, feverish efforts were made in all East German ministries and in the State Planning Commission to complete drafts for the 1953 economic plan. The individual ministries were to submit their plans to the State Planning Commission and, independent of these plans, the State Planning Commission had drafted one of its own based on directives of the Second Party Conference of the SED. These directives made provision for an increase in production in 1953, for the execution of the armaments program, and for a general improvement in living conditions.
2. On 2 October 1952, the first draft of the plan was completed and submitted to the SCC in Berlin-Karlshorst, to the Central Committee of the SED, and to the Coordination Office Department of the Ministerial Council of the East German government.
3. Additional expenses for equipment of the National Army, for military structures, and for investments in the armaments industry led to a deficit of 1,300,000,000 to 1,500,000,000 eastmarks in coordinating the plan set up by the ministries with that of the State Planning Commission. This deficit could only be met by increasing prices, which would result in a lowering of the living standard, by taking up foreign trade credits, or by reducing allocations for the armaments industry and the National Army.
4. The decision as to which course to follow rested on Bruno Leuschner, the official in charge of planning operations. He sought the assistance of the government and the Central Committee of the SED, but, thus far, his attempts have failed. Deputy Minister President Heinrich Rau has cautiously avoided assuming any responsibility since he is aware of the imminent failure of 1953 planning. Because Leuschner and Rau are personal enemies, it is assumed that Rau hopes to have Leuschner blunder with respect to the plan. The responsible official in the Ministry of Finance, State Secretary Willi Rumpf, has also abstained from making proposals for the payment of the deficit. This attitude is said to stem from enmity between Leuschner and Rumpf. Furthermore, the Central Committee of the SED and the Politburo have refrained from commenting because they do not wish to admit mistakes in setting up directives for the 1953 plan during the Second Party Conference in the summer of 1952. Leuschner's sole support is the SCC in Karlshorst where he has good personal relations with the Russian planning chief

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5. Leuschner has refused to make up the deficit by price increases or by a lowering of the living standard because he believes that the principle of a continually rising living standard in socialistic countries compared with the alleged continually declining living standard in capitalistic countries must be upheld. If no improvement of the living standard can be achieved, he believes that the present level should, at least, be maintained.
 6. East Germany could obtain foreign trade credits from the U.S.S.R. and the satellites. However, the prospects are bad since the Foreign Trade Ministry official-in-charge vigorously rejects all attempts of bridging the deficit by foreign trade credits. After vehement arguments with Leuschner, the Foreign Trade Ministry had enforced the covering of all imports by export orders.
 7. Leuschner, therefore, decided, in completing his draft for the 1953 plan, to balance the deficit of 1,500,000,000 eastmarks by a corresponding reduction of the armaments expenditures. The required reduction involves almost two-thirds of the original armaments schedule and includes the scheduled fuel supply to the National Army which was lowered from 160,000 to 40,000 tons.
 8. Leuschner hopes to be supported by the SCC in Karlshorst. Meanwhile the draft submitted to Karlshorst must be approved by the planning chief of the SCC. It is assumed that the draft will be forwarded to Moscow for a final decision this year and that the Soviet decision, therefore, will take longer than in past years.
 9. Leuschner submitted a copy of his plan to the SED Central Committee in order to force a comment, but statements made, thus far, by committee members oppose his actions. Criticisms were levelled at inaccuracies in the plan and at an irresponsible negligence in handling problems important to planning activities. Although the Central Committee has not announced its final judgment on the schedule, source states it by no means approves the draft of the 1953 plan.
- 25X1A 1. Comment. The report leads to the conclusion that East Germany will rearm at a comparatively slow rate if Moscow sanctions the 1953 plan proposed by Leuschner. On the other hand, disapproval of the plan would mean rearming at an accelerated rate and, simultaneously, a lowering of the living standards.

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